



4000-01-U

DEPARTMENT OF EDUCATION

Federal Need Analysis Methodology for the 2015-16 Award Year -- Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, Iraq and Afghanistan Service Grant and TEACH Grant Programs

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

Catalog of Federal Domestic Assistance (CFDA) Numbers:

84.063; 84.038; 84.033; 84.007; 84.268; 84.408; 84.379.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year 2015-16 for these student financial aid programs. The intent of this notice is to alert the financial aid community and the broader public to these required annual updates used in the determination of student aid eligibility.

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SUPPLEMENTARY INFORMATION: Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of part F of title IV of the HEA requires the Secretary to annually update the following four tables for price inflation--the Income Protection Allowance, the Adjusted Net Worth of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The updates are based, in general, upon increases in the Consumer Price Index (CPI).

For award year 2015-16, the Secretary is charged with updating the income protection allowance for parents of dependent students, adjusted net worth of a business or farm, the Education Savings and Asset Protection Allowance and the assessment schedules and rates to account for inflation that took place between December 2013 and December 2014. However, because the Secretary must publish these tables before December 2014, the increases in the tables must be based on a percentage equal to the estimated percentage increase in the Consumer Price Index for All

Urban Consumers (CPI-U) for 2014. The Secretary must also account for any misestimation of inflation for the immediately preceding year.

In developing the table values for the 2014-15 award year, the Secretary assumed a 2.5 percent increase in the CPI-U for the period December 2012 through December 2013. Actual inflation for this time period was 1.5 percent. The Secretary estimates that the increase in the CPI-U for the period December 2013 through December 2014 will be 1.8 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the income protection allowance (IPA) tables for the 2009-10 through 2012-13 award years and required the Department to use a percentage of the estimated Consumer Price Index to update the table in subsequent years. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. As amended by the CCRAA, this notice includes the new 2015-16 award year values for the IPA tables. The updated tables are in sections 1 (Income Protection allowance), 2 (Adjusted Net Worth (NW) of a Business or

Farm), and 4 (Assessment Schedules and Rates) of this notice.

As provided for in HEA section 478(d), the Secretary must also revise the education savings and asset protection allowances for each award year. The Education Savings and Asset Protection Allowance table for award year 2015-16 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the Employment Expense Allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics' marginal costs budget for a two-worker family compared to a one-worker family. The items covered by this calculation are: food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for award year 2015-16 has been updated in section 5 of this notice.

The HEA requires the following annual updates:

1. Income Protection Allowance (IPA). This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset against the family's income. The allowance varies by family size. The IPA for the dependent student is \$6,310. The IPAs for parents of dependent students for award year

2015-16 are as follows:

Family Size	Parents of Dependent Students Number in College				
	1	2	3	4	5
2	\$17,580	\$14,570			
3	\$21,890	\$18,900	\$15,890		
4	\$27,040	\$24,030	\$21,040	\$18,030	
5	\$31,900	\$28,890	\$25,900	\$22,890	\$19,900
6	\$37,310	\$34,310	\$31,310	\$28,310	\$25,320

For each additional family member add \$4,210. For each additional college student subtract \$2,990.

The IPAs for independent students with dependents other than a spouse for award year 2015-16 are as follows:

Family Size	Independent Students With Dependents Other Than a Spouse Number in College				
	1	2	3	4	5
2	\$24,840	\$20,590			
3	\$30,920	\$26,700	\$22,450		
4	\$38,180	\$33,950	\$29,720	\$25,470	
5	\$45,060	\$40,800	\$36,570	\$32,340	\$28,110
6	\$52,690	\$48,450	\$44,240	\$39,970	\$35,760

For each additional family member add \$5,950.

For each additional college student subtract \$4,230.

The IPAs for single independent students and independent students without dependents other than a spouse for award year 2015-16 are as follows:

Marital Status	Number in College	IPA
Single	1	\$9,810
Married	2	\$9,810
Married	1	\$15,720

2. Adjusted Net Worth (NW) of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an expected contribution because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the following schedule. This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a Business or Farm is	Then the Adjusted NW is
Less than \$1	\$0
\$1 To \$125,000	\$0 + 40% of NW
\$125,001 To \$375,000	\$50,000 + 50% of NW over \$125,000
\$375,001 To \$625,000	\$175,000 + 60% of NW over \$375,000
\$625,001 or more	\$325,000 + 100% of NW over \$625,000

3. Education Savings and Asset Protection Allowance. This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: one for parents of dependent students,

one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students		
If the age of the older parent is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,700	500
27	3,300	900
28	5,000	1,400
29	6,700	1,800
30	8,400	2,300
31	10,000	2,700
32	11,700	3,200
33	13,400	3,600
34	15,100	4,100
35	16,700	4,500
36	18,400	5,000
37	20,100	5,400
38	21,800	5,900
39	23,400	6,300
40	25,100	6,800
41	25,600	6,900
42	26,200	7,100
43	26,900	7,200
44	27,500	7,400
45	28,200	7,500
46	28,800	7,700
47	29,500	7,900
48	30,300	8,100
49	31,100	8,300
50	31,800	8,500
51	32,700	8,700
52	33,500	8,900
53	34,400	9,100
54	35,400	9,300
55	36,300	9,500
56	37,300	9,800

57	38,300	10,000
58	39,400	10,200
59	40,500	10,500
60	41,700	10,800
61	42,900	11,000
62	44,100	11,300
63	45,400	11,600
64	46,700	11,900
65 or older	48,100	12,300

Independent Students With Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,700	500
27	3,300	900
28	5,000	1,400
29	6,700	1,800
30	8,400	2,300
31	10,000	2,700
32	11,700	3,200
33	13,400	3,600
34	15,100	4,100
35	16,700	4,500
36	18,400	5,000
37	20,100	5,400
38	21,800	5,900
39	23,400	6,300
40	25,100	6,800
41	25,600	6,900
42	26,200	7,100
43	26,900	7,200
44	27,500	7,400
45	28,200	7,500
46	28,800	7,700
47	29,500	7,900
48	30,300	8,100
49	31,100	8,300
50	31,800	8,500
51	32,700	8,700

52	33,500	8,900
53	34,400	9,100
54	35,400	9,300
55	36,300	9,500
56	37,300	9,800
57	38,300	10,000
58	39,400	10,200
59	40,500	10,500
60	41,700	10,800
61	42,900	11,000
62	44,100	11,300
63	45,400	11,600
64	46,700	11,900
65 or older	48,100	12,300

Independent Students Without Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,700	500
27	3,300	900
28	5,000	1,400
29	6,700	1,800
30	8,400	2,300
31	10,000	2,700
32	11,700	3,200
33	13,400	3,600
34	15,100	4,100
35	16,700	4,500
36	18,400	5,000
37	20,100	5,400
38	21,800	5,900
39	23,400	6,300
40	25,100	6,800
41	25,600	6,900
42	26,200	7,100
43	26,900	7,200
44	27,500	7,400
45	28,200	7,500
46	28,800	7,700

47	29,500	7,900
48	30,300	8,100
49	31,100	8,300
50	31,800	8,500
51	32,700	8,700
52	33,500	8,900
53	34,400	9,100
54	35,400	9,300
55	36,300	9,500
56	37,300	9,800
57	38,300	10,000
58	39,400	10,200
59	40,500	10,500
60	41,700	10,800
61	42,900	11,000
62	44,100	11,300
63	45,400	11,600
64	46,700	11,900
65 or older	48,100	12,300

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents other than a spouse--are used to determine the EFC from family financial resources toward educational expenses. For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The parents' contribution for a dependent student is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) To \$15,700	22% of AAI
\$15,701 To \$19,700	\$3,454 + 25% Of AAI over \$15,700
\$19,701 To \$23,700	\$4,454 + 29% Of AAI over \$19,700
\$23,701 To \$27,700	\$5,614 + 34% Of AAI over \$23,700
\$27,701 To \$31,700	\$6,974 + 40% Of AAI over \$27,700
\$31,701 or more	\$8,574 + 47% Of AAI over \$31,700

The contribution for an independent student with dependents other than a spouse is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) To \$15,700	22% Of AAI
\$15,701 To \$19,700	\$3,454 + 25% Of AAI over \$15,700
\$19,701 To \$23,700	\$4,454 + 29% Of AAI over \$19,700
\$23,701 To \$27,700	\$5,614 + 34% Of AAI over \$23,700
\$27,701 To \$31,700	\$6,974 + 40% Of AAI over \$27,700
\$31,701 or more	\$8,574 + 47% Of AAI over \$31,700

5. Employment Expense Allowance. This allowance for employment--related expenses--which is used for the parents of dependent students and for married independent students--recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family. The items covered by these additional expenses are: food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse. Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service.

	Parents of dependents and independents with dependents other than a spouse		Dependents and independents without dependents other than a spouse
State	Percent of Total Income		All
	Under \$15,000	\$15,000 & Up	
Alabama	3%	2%	2%
Alaska	2%	1%	0%
Arizona	4%	3%	2%

Arkansas	4%	3%	3%
California	8%	7%	5%
Colorado	4%	3%	3%
Connecticut	8%	7%	5%
Delaware	5%	4%	3%
District of Columbia	7%	6%	5%
Florida	3%	2%	1%
Georgia	5%	4%	3%
Hawaii	4%	3%	4%
Idaho	5%	4%	3%
Illinois	6%	5%	3%
Indiana	4%	3%	3%
Iowa	5%	4%	3%
Kansas	5%	4%	3%
Kentucky	5%	4%	4%
Louisiana	3%	2%	2%
Maine	6%	5%	4%
Maryland	8%	7%	5%
Massachusetts	7%	6%	4%
Michigan	5%	4%	3%
Minnesota	6%	5%	4%
Mississippi	3%	2%	2%
Missouri	5%	4%	3%
Montana	5%	4%	3%
Nebraska	5%	4%	3%
Nevada	3%	2%	1%
New Hampshire	5%	4%	1%
New Jersey	9%	8%	4%
New Mexico	3%	2%	2%
New York	9%	8%	6%
North Carolina	6%	5%	4%
North Dakota	2%	1%	1%
Ohio	5%	4%	4%
Oklahoma	3%	2%	2%
Oregon	7%	6%	5%
Pennsylvania	5%	4%	3%
Rhode Island	7%	6%	4%
South Carolina	5%	4%	3%
South Dakota	2%	1%	1%
Tennessee	2%	1%	1%
Texas	3%	2%	1%
Utah	5%	4%	3%
Vermont	6%	5%	3%
Virginia	6%	5%	4%

Washington	3%	2%	1%
West Virginia	3%	2%	3%
Wisconsin	7%	6%	4%
Wyoming	2%	1%	1%
Other	2%	1%	2%

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James W. Runcie,
Chief Operating Officer
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